

Message Text

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ACTION XMB-04

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FOR US EXIMBANK

E.O. 11652: N/A

TAGS: ENRG, BEXP, AG, US

SUBJECT: SUCCESSOR CONTRACT FOR LNG PLANT IN ALGERIA

1. SUMMARY. ALLEGED REQUIREMENT THAT CONSTRUCTION SUPERVISORS BE US CITIZENS ON EXIMBANK FINANCED PROJECTS MAY BE HINDERING EFFORTS OF US FIRMS TO OBTAIN CONTRACT TO SUCCEED CHEMICO ON ARZEW LNG PLANT. EMBASSY REQUESTS EXIMBANK CONSIDER WAIVER, IF NECESSARY. END SUMMARY.

2. EMBASSY INFORMED THAT THERE ARE AS MANY AS TEN CONSTRUCTION COMPANIES - BOTH US AND FOREIGN - SEEKING TO REPLACE CHEMICO AS PRIME CONTRACTOR FOR LNG PLANT CONSTRUCTION AT ARZEW. SONATRACH IS APPARENTLY PREPARED TO MAKE CONTRACT ATTRACTIVE TO ANY INCOMING CONSTRUCTION COMPANY AND IS HOPING TO CONCLUDE NEW CONTRACT WITH MINIMUM OF DELAY. WE ARE TOLD COMPANIES BEING OFFERED CONTRACTS WITH FIXED MAXIMUM COST, SET AT SUFFICIENTLY HIGH LEVEL, WITH ANY PROFITS TO BE SHARED BETWEEN SONATRACH AND CONSTRUCTION COMPANY.

3. ACCORDING TO JOSEPH WILSON, PRESIDENT OF CONSULTING FIRM IN-O-VEN, WHICH IS ADVISING SONATRACH ON CHOICE OF SUCCESSOR COMPANY, US FIRMS ARE BEING SERIOUSLY HANDICAPED BY CERTAIN EXIMBANK REQUIREMENT. SPECIFI-
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CALLY, IF US FIRM WERE CHOSEN, AND ADDITIONAL EXIMBANK

FINANCING GRANTED, WILSON SAYS EXIM REGULATIONS REQUIRE THAT US COMPANY HAVE AMERICAN CITIZEN SUPERVISORY PERSONNEL ON SITE. WILSON STUDIED CHEMICO'S PERFORMANCE FOR SONATRACH IN AUGUST AND SEPTEMBER OF THIS YEAR. ONE OF HIS CRITICISMS OF CHEMICO AT THAT TIME WAS THAT ITS CONSTRUCTION SUPERVISORY PERSONNEL SPOKE NO FRENCH, CAUSING FREQUENT COMMUNICATIONS BREAKDOWNS. WILSON SAYS THAT SONATRACH NOW HAS THIS PROBLEM VERY MUCH IN MIND IN SEEKING REPLACEMENT FOR CHEMICO. UNFORTUNATELY, WILSON ADDS, FEW AMERICAN CONSTRUCTION PERSONNEL SPEAK FRENCH, WITH RESULT THAT US COMPANIES DISADVANTAGED RELATIVE TO CERTAIN COMPETITORS.

4. WOULD APPRECIATE ADVICE OF US EXIM AS TO WHETHER WILSON CORRECT RE EXIMBANK REQUIREMENT FOR ALL US CITIZEN SUPERVISORY CONSTRUCTION STAFF ON PROJECTS IT FINANCES. IF HE IS, SUCH REQUIREMENT COULD COST US FIRM LARGE CONTRACT. EQUALLY SIGNIFICANT FROM COMMERCIAL DEVELOPMENT POINT OF VIEW IS DESIRABILITY OF AN AMERICAN FIRM REPLACING CHEMICO. US BUSINESS GOT A BLACK EYE IN ALGERIA AS RESULT OF CHEMICO'S ACTIONS. AWARDED OF NEW CONTRACT TO ANOTHER AMERICAN FIRM WOULD COUNTER THIS EFFECT AND REPRESENT VOTE OF CONFIDENCE BY ALGERIA IN AMERICAN BUSINESS AS A WHOLE. WAIVER WOULD SEEM WARRANTED IN THIS CASE.

5. ACTION REQUESTED: EXIMBANK ADVICE ON POSSIBILITY AND MODALITIES OF WAIVER OF CITIZENSHIP REQUIREMENT, IF SUCH EXISTS.
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